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THIS IS YOUR PLANNED ECONOMY

By GARET GARRETT

THE AMERICAN ECONOMY now is planned and master-minded by the Federal government. If you want to know the complete working theory of it read the Economic Report of the President to the Congress, last January 28. The New Dealers did one thing at a time, never quite sure that anything would work and made many mistakes; that is to say, they played by ear. But the Republican Administration has the complete score. Mr. Eisenhower did not write it. His Council of Economic Advisers did that. Yet he adopts it and makes it his own; and it is already too late to celebrate the obsequies of what once was called the free economy.

There is first a premise, quote:

> The demands of modern life and the unsettled status of the world require a more important role for government than it played in earlier and quieter times.

Therefore, if you were expecting less government, not more, you are one who did not understand the times, no matter how you voted.

There is then a statement of the grand intention, quote:

> It is government's responsibility in a free society to create an environment in which individual enterprise can work constructively to serve the ends of economic progress; to encourage thrift; and to extend and strengthen economic ties with the rest of the world.

The word *thrift* does not mean frugality; for if it does there is a contradiction, since in the later enumeration of the government's responsibilities, one of them is, quote:

> To promote measures that will foster the expansion of private activity by stimulating consumers to spend more money.

If it is a function of government to stimulate consumers to spend more money and at the same time to encourage thrift, you must understand thrift to mean to thrive by spendings, and thus you will not be astonished to read, quote:

> An essential part of this preparedness under present circumstances is a higher Federal debt limit.

If the individual may thrive by spending more, so may the government. The government must be always prepared to act, and to act swiftly in any situation, quote:

> It must be prepared to take preventive as well as remedial action; and it must be ready to cope with new situations as they may arise.

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Much that happens is unpredictable. Economic forecasts are notoriously fallible. There are such things as automatic stabilizers, but these are negative, not positive, and all the more the government must be able to pursue flexible policies, adapted to the immediate problem, or to several problems at one time, perhaps "simultaneously on several fronts at once", and for the reason it must be sure the money is there if it is needed. Hence, the necessity for a rise in the debt limit.

Yet, when the government has created this ideal environment there will still be the trouble that people are people. Some of them will always be on the wrong end of the rainbow. Therefore, the principle of the Welfare State must be maintained, quote:

> To help build a floor over the pit of personal disaster government must concern itself with the health, security and welfare of the individual citizen.

Then the image of the planned economy and the means to the achievement of it. The image is this, quote:

> The road of reasonably full employment without price inflation is narrow. There is always the danger that our economy by moving too far to one side of the road will enter the zone of inflation, or by moving too far to the other side will slip into the zone of contraction. What we plainly need and want to do is to stay firmly on the road, which means that we must moderate economic movements before they acquire large momentum.

On this narrow road, with the peril of inflation on one side and the peril of deflation on the other, the economy nevertheless must move at a steadily accelerating rate of speed, because, quote:

> The American people will not be long content with employment opportunities that are merely stable, or with a stationary standard of living.

SO THE ECONOMY must run faster and faster on that narrow road. It must never run off of course; but neither shall it veer to right or left, else it will find itself in a spiral of inflation or, worse, in the slough of deflation.

The government is steering. Back seat driving is dangerous. The passengers must learn to discipline their behavior. If the vehicle were suddenly to veer, or hit something and bounce, they must trust the government to bring it back to the middle of the road before anything happens. For example, in the early months of 1953, the government thought it saw signs of an incipient boom and began to use its anti-inflationary weapons, one of which was a squeeze of the money market. The effect was much more than was intended, "not that the policies were of themselves highly restrictive", but because, quote:

> . . . The business and financial community having become accustomed over many years to credit policies that facilitated the monetization of the Federal debt [deficit spending] no longer clearly remembered the discipline of monetary management aimed at preventing inflationary booms.

Simply, the business community could not believe that the government would connive at deflation or step on a boom. It was shocked. So shocked, in fact, that the government was obliged suddenly to reverse its policy. It stopped squeezing the money market and began to inflate it. During eight weeks it cast more than a billion dollars of currency into the tills of the banks, in exchange for its own IOU's, and money was easy again.

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That presumably saved the situation. The passengers relaxed and said: "Good driving. But watch it, please."

This failure of the business community to give the government the support of its understanding instead of falling into a fit of apprehension when money was purposefully made tight to defeat an inflationary boom brings to view a new responsibility. Besides knowing what to do in a given case of facts, the government must anticipate panicky states of mind and study how to control them. For this it may need a staff of psychologists, added to its economists. How will the people react? Quote:

> . . . Reactions are partly psychological in character, but they are none the less real. A relatively slight fall in the level of activity, if interpreted as a harbinger of further declines, could lead consumers whose incomes have remained unchanged to start curtailing their purchases because they either fear a loss of income or hope for bargain prices later. If businessmen regard the first dropping off in orders as an occasion for curtailing their programs of capital investment, they could spread and intensify the difficulties they fear. These possible attitudes are illustrations of what are sometimes referred to as psychological repercussions. Whether they take one form or another they could become impediments to smooth adjustment. To avoid the adverse consequences that existing uncertainties might generate the government should and can make clear its ability to face them and to take the steps necessary to deal with them.

Thus it behooves the business community, for its own sake, to trust the government to keep the economy in the middle of the narrow road.

What are the government's powers? Quote:

> The arsenal of weapons at the disposal of government for maintaining economic stability is formidable.

Such as, namely:

(1) Control of the price and supply of credit by the Federal Reserve System;

(2) More or less government spending;

(3) Power to influence the stream of investment capital, as, e.g., into or from the construction industry by changing the terms of Federally insured mortgages, so that the down payment on a $12,000 house may be either $2,400 or only $600, and the life of the mortgage may be either 25 or 35 years;

(4) Tax policy;

(5) Greater or lesser subsidies, as to agriculture;

(6) Greater social security payments;

(7) A great portfolio of public works, at the blueprint stage, and

(8) The budget. Quote:

> The key to governmental planning for economic growth is, of course, the Federal budget. Generally speaking, it sums up every activity undertaken by the government for the people, and every payment by the people to the government.

This refers simply to the difference between a balanced budget, which may be deflationary, and deficit spending, which is inflationary.

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IN SEVERAL PLACES attention is called to the fact that one of the early acts of the Eisenhower Administration was to remove wage and price controls, as if that were setting the economy free. Quote:

> The possibility of an upward spiral of prices and wages was enhanced by certain steps taken by the government to broaden the scope of private enterprise — especially the removal of price and wage controls. There was talk in those early months of a confidence boom, as the American people saw themselves free to embark on new productive enterprises.

The controls that were removed were specific controls, which in any case had been working badly. In place of these, what the government now undertakes to do is to control the general price level and be mindful at the same time of the people's buying power, the three elements of which are employment, prices and wages. Quote:

> The government must use its vast powers to help maintain employment and purchasing power as well as to maintain reasonably stable prices.

Or, quote:

> The maintenance of a high and expanding level of output and employment is a definite objective of our society. So also is the maintenance of reasonably stable level of consumer prices. The pursuit of these twin objectives involves the government in difficult, and yet inescapable, responsibilities.

Who will say how fast employment and output shall expand? Obviously the government must say, for unless it can control the speed it cannot guarantee to keep the economy on the narrow road. Thus to its other responsibilities is added that of saying how fast the American economy shall grow. Too much acceleration would be inflationary. It must be continuous but gradual. Certainly, an Administration that would pinch out a confidence boom — a boom based upon confidence in itself — would hardly hesitate to say, "That's fast enough for now", and move its foot to the brake pedal.

"We shall not hesitate", says the President, "to use any or all of these weapons as the situation may require."

Up to this point the document is exhortive and informative. It tells the people what to expect from government and what the government expects from them. If they react as they should, or as the government thinks they should, this design for a planned economy should work without coercion. Nevertheless, at the end he says:

> And if the powers possessed by the Executive should need to be increased to cope with some new economic development, the Administration will promptly seek from the Congress the additional authority it requires.

Would the additional authority be coercive?

Who knows? Never yet was a planned economy that did not either fail or become coercive.

From the point of view of government, a little coercion to save a perfect design is irresistible. And after all, is it not entirely meant for the good of the people?

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HUMAN EVENTS

FRANK C. HANIGHEN, *Editor* FRANK CHODOROV, *Associate Editor*

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Manion Affair: The expulsion of Dean Clarence Manion of Indiana from his job as chairman of the presidential commission has stirred feeling on Capitol Hill as few other episodes in recent history. Since Manion was fired by the White House because of his activities in behalf of the Bricker Amendment, it becomes a major incident in the great conflict to retain our sovereignty. And the fate of the coming elections hands on what results from it.

The uncivil dismissal of Manion drew sharp protests from members of Congress. Senator Jenner's unforgettably moving expression of indignation lead the procession. For, like Ike's open stand against the Bricker Amendment, the Manion firing represented an intrusion of the Executive into what was not the Executive's business. Hon. Frank Holman and other constitutionalists had filed their learned opinions against Ike's interference with the amending issue which is exclusively the business of the people and their Congress. The dismissal of Manion, the chairman of the commission dealing with Federal-State relations, because he worked for the Amendment, comes as a sign that this President has no more respect for the Legislative branch than his two predecessors. (Few here take seriously the suggestion that Manion's efforts for the Amendment interfered with his Federal-State duties.)

Also, the Manion affair indicates that the time for a change has come and there is little change. For, the choir of New Deal columnists and commentators had agitated for Manion's removal for several weeks before the event. Again, as so often under Roosevelt and Truman, the "liberal" scribes got their man.

One supreme question comes to a sharp focus: "Is the White House seeking to insure the defeat of Republicans in the fall elections?" It is almost incredible, but many here believe the Sherman Adams crowd in the White House think they can rule better with a Democratic majority in Congress.

Politicos on the Right fear the results of the Manion incident. They recall that the late Senator Taft saw with great clarity the political value and significance of Clarence Manion. Unfortunately, racial and religious groups play a big role in elections — but that is a hard fact which must be considered. The victory of Ike in 1952 was largely due to a big shift among voters along these lines. Politicians point out that such blocs as the Jewish vote and the Negro vote went for the Democratic candidate as usual. But a large part of the Catholic vote (like the other blocs for many years faithful to the Democrats) went over into the GOP column. This was decisive in big-city states, with their large electoral votes.

Taft saw this and urged that Manion (a Democrat who bolted his party for Ike) be given a place in the Cabinet. Instead the "incredible" Dewey-Brownell crowd put in Durkin, a Catholic who opposed Ike and stayed with the Democrats. This was regarded as an insult to those who had bolted. Manion's appointment to the Presidential commission was a minor and belated recognition of his significance.

The Manion dismissal has naturally delighted the New Deal Democratic politicos who see the picture clearly. Was it planned that way by the White House schemers? If the people see through this maneuver, they may react in the constituencies against Executive meddling. They may check what is beginning to look like "a crusade for defeat".

Up to George: As we go to press three-quarters of the revised Bricker Constitutional Amendment has actually passed. The first two sections breezed by — but the third barely squeaked through by one

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vote. The fourth section providing that treaties and international agreements can become internal law only through legislation by Congress — but also providing that under special circumstances a treaty may become internal law without Congressional legislation by specified Senate action — is the section most opposed by the Administration. Only help from Senator George and his southern bloc can get it through.

The Bricker forces are hoping for some last minute switch by the Georgia Senator, but so far he has given no sign. George's conduct is particularly strange in view of the fact that the Georgia State Legislature has overwhelmingly endorsed the original Bricker Amendment. He is reported to be hearing plenty from the home folks and a reliable source says that his Senatorial colleague — Senator Russell — has even gone so far as to tell George that in view of the overwhelming attitude of the people of Georgia, he didn't think he (George) was doing right.

In a sense the floor fight on the Bricker Amendment is the test of strength of the developing realignment of parties. A striking scene took place in Washington in a banquet room, in the past forty-eight hours. At the Good Government Society's annual dinner on Washington's Birthday, Senator Karl Mundt, orator of the evening, said an impressive thing. He remarked that, were it not for outmoded political labels and outworn historical and geographical divisions, every man at the distinguished Speakers' table would be on the same political team today. The guests to whom he referred were, as follows: the last Republican President of the United States, Mr. Herbert Hoover; Democratic Senator Harry F. Byrd; Democratic Governor Shivers of Texas; former Democratic Representative Ed Gossett (Texas); and Mundt himself, Republican from South Dakota.

McCarthy: The clash between Senator McCarthy and General Ralph W. Zwicker — who let Major Peress out of Ft. Kilmer with an honorable discharge some twenty-four hours after the Wisconsin Senator had written Secretary of War Stevens demanding that the Army court-martial the Major and give him a dishonorable discharge as a "Fifth Amendment Communist" — is symptomatic of a putrid condition in the military that has penetrated into the topmost echelons of the Eisenhower Administration.

The General justly merited the sharp rebukes of McCarthy, for the former said he thought a General who had convincing proof that an officer had a Communist record and gave said officer an honorable discharge should nevertheless be retained in the service.

It goes higher than Secretary of War Stevens who was going to rush to the defense of General Zwicker. During the war the War Department under Roosevelt actually issued a secret directive permitting officers to be commissioned even if they were members of the Communist Party or adhered to its doctrines.

After F.D.R.'s death, the accumulated misdeeds of the New Deal prompted Truman to issue the Executive order "gagging" all executive employees appearing before Congressional Committees. The Republicans denounced this as Czaristic; but it is still being used by the Eisenhower Administration in the case of General Zwicker.

Unfortunately the Eisenhower Administration either includes or is influenced by persons who played the game with the Truman Administration such as Generals Bedell Smith and George C. Marshall. It is at these levels that the work of covering up still goes on. The Zwickers are but timid lower-echelon figures intent on protecting their bread and butter by not offending powerful ones much higher up.

Not Merely Gossip: American High Commissioner Conant (former President of Harvard) is running true to form as U.S. boss in Germany, so say observers just returned here from Germany. (A year ago in the angry debate over his confirmation, opponents predicted that this Truman holdover would prove harmful.) These sources say that top officials of the conservative Adenauer Government in West Germany see little of the High Commissioner, that he spends much of his time with the defeated and dis-

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credited German Socialist Party leaders. Also, it is reported that Germans, who would like to communicate to Senator McCarthy facts about subversives in Germany, are warned not to do so lest they incur the enmity of the American High Commissioner.

● Dr. Milton Eisenhower (believed to be the greatest influence on his brother, the President) will be blamed if the U.S. suffers a diplomatic defeat at the forthcoming Latin-American conference. Before Milton Eisenhower (once a New Deal official in the Roosevelt regime) took his recent trip through Latin America, the Council of Foreign Relations of New York recommended that he not visit three states which have Leftist governments — Argentina, Bolivia and Guatemala. The last, now an open Kremlin satellite, was not visited. But Milton actually spent most of his time during his absence from the U.S. in Argentina and Bolivia, which boast totalitarian regimes.

● Senator "Wild Bill" Langer has drawn the fire of Administration chiefs for his opposition to the confirmation of Supreme Court Justice Earl Warren of California. "Wild Bill" is said to be sore because the White House did not consult him about four postmasters in his state of North Dakota. While some Senators have denounced Langer for his delay of the confirmation, many members — also angry at being snubbed on patronage matters by the White House — privately sympathize with Wild Bill. Others who think Langer went too far in presenting charges against Warren's character, consider that the appointment was a sorry one, that Warren has not the legal experience adequate for the position of Chief Justice; and they don't like the political "payoff" aspect of the appointment.

● Our New York correspondent tells us of a piece of news which has set the boys in publishers row chattering. Devin-Adair, publishers, has scheduled for March publication a volume which contains some explosive revelations concerning Pearl Harbor. The book, by Admiral R. A. Theobald, U.S.N., Retired, is entitled *The Secret of Pearl Harbor* and gives his personal reminiscences of the steps leading us to our propulsion into the Far Eastern war in 1941. Theobald says that as early as October of that year, two months before the Japanese attack, President Roosevelt received definite proof from our intelligence services that the Japanese military had planned to attack. The Admiral, we gather, fully documents this charge.

UN: Powerful patriotic groups are viewing with intense suspicion the sudden decision of the sub-Committee on International Organizations of the House Foreign Affairs Committee to hold hearings this coming Tuesday on the United Nations and its specialized agencies. They deem this far too short a time in which to marshall their criticisms of the UN — and they are convinced that the pro-UN crowd has been tipped off in advance so that they will be well prepared. They are also convinced that the date picked so suddenly by the sub-Committee to open its hearings is timed to coincide with the beginning of House action on the Bricker Amendment. House consideration of the amendment will undoubtedly unleash a flood of criticism of UN and its agencies. By synchronizing its hearings on the UN with House action on the Bricker Amendment the suspicion is that the sub-Committee hopes to turn loose a flood of approval of the UN to offset what will be said against it.

The composition of the sub-Committee increases this suspicion. It is loaded with UN idolators. Chairman is Chester E. Merrow (R., N. H.) who from 1946-49 was a member of the UNESCO National Commission — and through recent re-appointment still is. Mrs. Frances Bolton (R., Ohio) is another supporter of the UN. Brooks Hays (D., Ark), a veteran wheel-horse of the internationalists, signed the World Federalist resolution on Capitol Hill to convert the UN into a world federation (i. e., a world state). Laurie C. Battle (D., Ala.), who also signed the same resolution, is another legislative pack-horse for the dark forces which threaten our national independence and its protection of our wealth. Karl Le Compte (R., Iowa) used to be hostile to the objectives of the internationalists — but recently has been swinging over to their side. Last summer he was scheduled to go to Paris with Merrow to confer with the socialistic Luther Evans, Director General of UNESCO — but at the last minute stayed home.

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Radio Front: It is quite interesting to find that the *Daily Worker*, official organ of the Communist Party in the United States, thinks highly of the radio and television work of Frank Edwards, John Vandercook and Ed. Murrow. Edwards has a coast-to-coast news commentary, broadcast five nights a week sponsored by the American Federation of Labor. Vandercook has a similar program sponsored by the CIO and also running five nights a week. Murrow does TV work for the Aluminum Company of America and has been presenting his "See It Now" to millions of TV fans.

The *Daily Worker*, in a column entitled "Better Radio Programs" gives to Edwards the Oscar for his fine work on the air and says: "Frank Edwards is about the best of the news commentators allowed on the nation's airwaves." The Communist sheet while complaining that Vandercook is not so aggressive and hard-hitting as Edwards, nevertheless asks him to take a bow when it pronounces: "As to John Vandercook, he is the commentator in the very literal sense of the word . . . appealing in his scholarly tones for the more intelligent approach." That the *Daily Worker* thinks Vandercook's approach to public questions on the air is "intelligent" is a damning indictment indeed. Referring to Murrow, the Red organ pats him nicely on the back by appraising some of his "See It Now" sequences on TV as "magnificent".

The Right to Work: Every now and then, it is refreshing to be reminded by some intrepid judge that the American concept of freedom is not dead, despite the efforts of politicians to bury it. District Judge E. C. Nelson, at Amarillo, Texas, has done so in overturning an act of Congress. Ruling that compulsory unionism is "repugnant to the simplest concepts of freedom", Judge Nelson gave notice of an injunction prohibiting the Santa Fe Railroad and sixteen non-operating unions from signing a union shop agreement. Declaring that men "must be free to join or not to join as they, as individuals, choose to do", he contradicted provisions of an act of Congress specifically permitting union shop contracts, despite state laws to the contrary. The effect of his ruling was to uphold the Texas "right to work" law, which declares that membership or non-membership in a union may not be made a condition for employment.

Santa Fe officials declare that if the judge had ruled otherwise, 10,000 of its employees would have been forced to join a union or give up their jobs. The case is by no means concluded, for the unions will undoubtedly fight the ruling up to the Supreme Court. It would be most heartening if that body were to concur in the opinion of Judge Nelson, that "Congress has no power to establish any policy which is to bring about a violation of constitutional guarantees".

Between Covers: *Red Rat Race*, by Morris A. Bealle, published by Columbia Publishing Company, P.O. Box 1623, Washington, D.C. bound volume of 287 pp., including index. Author prominent in American Legion. A vernacularized, popularized version of the Red network. Price: $3.50.

● A pamphlet, "The Chickens of the Interventionist Liberals Have Come Home to Roost — The Bitter Fruits of Globaloney" by Harry Elmer Barnes (author of the "Historical Blackout" pamphlet). 44 pp., published by the American Renaissance Book Club, P.O. Box 1316, Chicago 90, Illinois. Price: $.50.

● Soft-cover book, *The Yalta Betrayal* — Data on the Decline and Fall of Franklin Delano Roosevelt, by Felix Wittmer (contributor to HUMAN EVENTS, "Where Is Your Crusade, Mr. Eisenhower?", August 19, 1953). Appendix and Index, 136 pp. Published by the Caxton Printers, Ltd., Caldwell, Idaho. Price: $1.25.

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